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14MBAFM409

**Fourth Semester MBA Degree Examination, Dec.2017/Jan.2018**  
**Tax Management**

Time: 3 hrs.

Max. Marks:100

**SECTION - A***Note : Answer any FOUR questions from Q.No.1 to Q.No.7.*

- 1 Define the term "Person" U/S 2(31) of IT Act of 1961. (03 Marks)
- 2 What do you understand by Slump sale? (03 Marks)
- 3 Who is a manufacturer under Central Excise Act? (03 Marks)
- 4 Differentiate between tax planning and tax evasion. (03 Marks)
- 5 What do you understand by corporate dividend tax? (03 Marks)
- 6 What are the conditions for allowing deductions on account of depreciation under Income Tax Act? (03 Marks)
- 7 What do you mean by MAT credit? (03 Marks)

**SECTION - B***Note : Answer any FOUR questions from Q.No.1 to Q.No.7.*

- 1 Ascertain the residential status of the Assesses in the following cases for the assessment year 2017 - 18. (07 Marks)
  - i) Ajay is a citizen of India. He left for Iran on 18<sup>th</sup> April 2016 and could not return to India till the end of the financial year 2016-17.
  - ii) Gautham left for USA on 10<sup>th</sup> March 2014 after having lived in India for 20 years. He returned to India on 10<sup>th</sup> August 2016.
- 2 Explain the provisions regarding set – off and carry forward of losses. (07 Marks)
- 3 Mr. Arun who is not covered by the Payment of Gratuity Act 1972, retires from service on November 30<sup>th</sup> 2016 from XYZ Co. Ltd., and receives ₹ 2,50,000 as gratuity after serving for 35 years 10 months. His salary is ₹ 18000 p.m upto July 31st 2016 and ₹ 19,000 p.m from August 1st 2016. Besides he gets ₹ 1000 p.m as dearness allowance (60% enters into retirement benefits). Compute the exemptible amount of gratuity. (07 Marks)
- 4 Write a note on Tax – free perquisites. (07 Marks)
- 5 Mr. E purchased a residential property in 1958 for ₹ 60,000. In 1963 he remodeled the property spending ₹ 20,000. In 2010 he concluded an agreement to sell the property to Mr. N for ₹ 12,00,000 but the sale could not go through since Mr N did not pay consideration by the time fixed. Mr. E, therefore forfeited the advance of ₹ 50,000 given by Mr. N. Mr. E spent a further sum of ₹ 40,000 to construct additional room in 2012-13. The entire property was sold for ₹ 30,00,000 on 30<sup>th</sup> June 2016, paying a brokerage of 2 %. The FMV of the property as on 1.4.1981 ₹ 1,20,000.  
Compute the taxable capital gain for the assessment year 2017-18. Also, indicate whether any provisions of the Income Tax Act would enable Mr. E to avoid payment of taxes on capital gain. (07 Marks)

C11.1981 – 82 – 100 ; 2012 – 13 – 852 ; 2016 – 17 – 1125.

- 6 Discuss different types of Custom duties. (07 Marks)
- 7 The WDV of assets as on 1.4.2016 – Machinery (15%) - ₹ 5,00,000.  
One Motor Truck (30%) - ₹ 3,00,000.  
Additions during the year. ₹
- |  |             |
|--|-------------|
| Machinery on 1 <sup>st</sup> August 2016   | - 1,00,000. |
| Machinery on 1 <sup>st</sup> December 2016 | - 1,50,000. |
- Following assets were sold during the year
- |  |             |
|--|-------------|
| Machinery on 20 <sup>th</sup> September 2016 | - 1,25,000. |
| Truck on 1 <sup>st</sup> February 2017       | - 2,50,000. |
- (07 Marks)

### SECTION - C

*Note : Answer any FOUR questions from Q.No.1 to Q.No.7.*

- 1 Discuss the incidence and levy of KVAT. (10 Marks)
- 2 Explain the items of income chargeable to tax under the head income from other sources. (10 Marks)
- 3 Following donations were made by Mr Rakesh Khanna. (10 Marks)

|   | ₹      |
|---|--------|
| a) National Children's Fund                 | 12,000 |
| b) National Foundation for Communal Harmony | 15,000 |
| c) National Blood Transfusion Council       | 20,000 |
| d) Rajiv Gandhi Foundation                  | 16,000 |
| e) Kasturba Medical college                 | 5,000  |
| f) Renovation of local temple               | 13,000 |
| g) Construction of school building          | 26,000 |
| h) Blankets to inmates of an orphanage      | 18,000 |
| i) Health center for family planning        | 30,000 |

His gross total income ₹ 5,00,000 included LTCG of ₹ 1,00,000. He repaid ₹ 50,000 as interest to bank towards education loan and ₹ 30,000 towards principal, borrowed to pursue MBA. Compute Mr. Rakesh Khanna's total income.

- 4 Smt. Sahana (Age 45 years) furnishes the following particulars of her income for the previous year 2016-17.
- Basic ₹ 25,000 p.m  
D.A ₹ 5,000 p.m (enters in the retirement benefits).  
Tour Allowance ₹ 1000 p.m (80% spent for official purposes)  
Transport Allowance ₹ 2000 p.m.  
Hostel Allowance ₹ 500 p.m for one child. (10 Marks)
- The Company gave her rent for furnished house for which the Company paid a rent of ₹ 10,000 p.m. The Company paid ₹ 2000 p.m. as hire charges for the furniture. She has appointed a maid for whom the company pays ₹ 3000 p.m as salary. She is also provided with a small car for personal and official purposes and the car expenses (including drivers salary) are borne by the company.
- Reimbursement of medical expenses for her spouse treatment in a private hospital ₹ 35,000.  
Compute taxable Income from salary for the Assessment year 2017 – 18, after considering the following :
- a) During the year Smt. Sahana paid LIC premium on her life - ₹ 5,000 and on her mother's life - ₹ 3000.

- b) Deposited ₹ 25,000 in PPF.  
 c) Professional tax paid 2400 p.a.  
 d) Deposited in NSC - ₹ 25,000. Also compute deductions U/S 80C.

5 Discuss exemptible capital gains. (10 Marks)

- 6 M/S Sen and Sharma is a firm of Chartered Accountants in which Sen and Sharma are working partners and Verma non – working partner sharing profits and losses in the ratio 2:1:1. The firm showed net surplus of ₹ 60,000 for the year ending 31<sup>st</sup> March 2017. The following items were debited to income and expenditure account.

|  | ₹     |
|--|-------|
| a) Salary to – Sen   | 7000  |
| Sharma   | 9800  |
| b) Commission to Verma   | 6000  |
| to Sharma  | 4800  |
| c) Interest on capital 20% Sen   | 6000  |
| Sharma   | 4000  |
| d) Customs penalty paid  | 3,000 |
| e) Rent paid to Sen in respect of the house<br>let out by him to the firm. | 3,600 |

Compute total income of the firm and the income of partners from firm. (10 Marks)

- 7 Given below is the summary of cash transactions of Mr. Karan Patil a practicing chartered Accountant.

|                                 |          |                             |          |
|---------------------------------|----------|-----------------------------|----------|
| To Audit fees                   |          | By Office expenses          |          |
| 2015 - 16                       | 2000     | 2015 - 16                   | 1000     |
| 2016 - 17                       | 156000   | 2016 - 17                   | 9000     |
| 2017 - 18                       | 1210     | By Office rent              | 4500     |
| To consultation fees            | 10,000   | By Salaries & wages         | 12,550   |
| To App. Tribunal appearance     | 15,000   | By Stationary & Printing    | 1000     |
| To Interest on govt. securities | 10,000   | By Subscription to Journals | 3000     |
| To Rent Received                | 10,000   | By Books bought             | 6,300    |
| To Presents from the clients    | 9050     | By Travelling expenses      | 5,800    |
| To Miscellaneous Receipts       | 20,000   | By Interest on bank loan    | 3,000    |
|                                 |          | By Donation                 | 5,000    |
|                                 |          | By Balance c/d              | 1,82,110 |
| Total                           | 2,33,260 | Total                       | 2,33,260 |

Additional Information :

- a) Outstanding stationery for the year 2016 – 17 ₹ 2000.  
 b) Loan from the bank was taken to construct the house in which the assessor resides.  
 c)  $\frac{1}{4}$  of the travelling expenses relate to private purposes.  
 d) Donation is to National Children's Fund.  
 e) Books bought include annual publication ₹ 1,300. Compute taxable Income from Profession. (10 Marks)

**SECTION - D**  
**CASE STUDY – [ Compulsory ]**

XYZ Ltd., is engaged in the business of manufacturing of toys. The Profit & Loss A/c for the year ended 31<sup>st</sup> March 2017 is as below :

|                      |           |                                   |           |
|----------------------|-----------|-----------------------------------|-----------|
| To Salary            | 3,10,000  | By Sales                          | 33,00,000 |
| To General Expenses  | 12,00,000 | By Withdrawn from general reserve | 3,00,000  |
| To Dividend proposed | 70,000    | By Short term capital gain        | 2,00,000  |
| To Depreciation      | 8,20,000  |                                   |           |
| To Income tax        | 4,50,000  |                                   |           |
| To Donation to NDF   | 1,00,000  |                                   |           |
| To O/S customs duty  | 25,000    |                                   |           |
| To Advertisement     | 25,000    |                                   |           |
| To Net profit        | 8,00,000  |                                   |           |
| Total                | 38,00,000 | Total                             | 38,00,000 |

Additional Information :

- General expenses include : i) Payment to National Laboratory ₹ 10,000  
ii) Penalty for breach of customs law ₹ 25,000.  
iii) Payment made in cash ₹ 32,000.  
iv) Cash transaction tax paid ₹ 5,000.
- Depreciation U/S 32 ₹ 10,00,000.
- Following losses are to be set – off.

|                         | For Tax Purposes | For Accounting |
|-------------------------|------------------|----------------|
| B/f loss 2012 - 13      | 6,00,000         | 5,00,000       |
| Unabsorbed Depreciation | -                | 3,50,000       |

- LTCCG during the year ₹ 3,00,000.

Compute total income of the company for the AY 2017 – 18. Also compute Tax Liability. Apply MAT (20 Marks)

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